

Message Text

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ACTION ARA-14

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TAGS: BDIS, BL

SUBJ: TRADE FACILITATION: BOLIVIAN ARMY ENGINEERING COMMAND VS
AVCON INTERNATIONAL, DUPONT PLAZA, MIAMI, FLORIDA.

1. SUMMARY: GENERAL HUGO BRETTEL, COMMANDER OF THE BOLIVIAN ARMY ENGINEERING COMMAND, HAS REQUESTED EMBASSY ASSISTANCE IN OBTAINING COMPLIANCE WITH A CONTRACT FOR DELIVERY OF INTERNATIONAL HARVESTER TRUCKS. THE CONTRACT, WITH AVCON INTERNATIONAL OF MIAMI, PROVIDES FOR DELIVERY OF TRUCKS VALUED AT NEARLY \$750,000 IN ANTOFAGASTA BY DECEMBER 30, 1977. THE ENGINEERING COMMAND HAS BEEN UNOFFICIALLY ADVISED THAT ASSEMBLY OF THE VEHICLES, WHICH ARE BEING PURCHASED WITH FMS CREDITS THAT EXPIRE AT YEAR END, WILL NOT BEGIN UNTIL LATE NOVEMBER OR EARLY DECEMBER. END SUMMARY.

2. ON JULY 27, 1977 GENERAL BRETTEL SIGNED A CONTRACT WITH AVCON INTERNATIONAL FOR THE PURCHASE OF EQUIPMENT VALUED AT \$743,184.32. THIS PURCHASE WAS FINANCED BY FMS CREDITS. THE EQUIPMENT BEING SUPPLIED UNDER THIS CONTRACT CONSIST PRIMARILY OF INTERNATIONAL HARVESTER TRUCKS. SOME OF THE IH TRUCK CHASSIS WILL BE MODIFIED, FOR EXAMPLE BY THE ADDITION OF WATER TANKS, UNDER CONTRACTS BETWEEN AVCON AND OTHER FIRMS. THE CONTRACT PROVIDED FOR DELIVERY OF ALL EQUIPMENT NOT LATER THAN DECEMBER 30, 1977 (CIF ANTOFAGASTA).

3. GENERAL BRETTEL HAS RECEIVED A LETTER DATED SEPTEMBER 23, 1977

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FROM THE LA PAZ REPRESENTATIVE OF AVCON, TRANSMITTING A COPY OF A LETTER FROM WILFREDO GONZALES OF INTERNATIONAL HARVESTER IN MIAMI TO ELIAS GIRO OF AVCON INTERNATIONAL. IN HIS LETTER GONZALES STATED QUOTE I INFORM YOU (GIRO) ONCE AGAIN THAT SAID UNITS CANNOT BE MANUFACTURED UNTIL THE END OF NOVEMBER OR THE BEGINNING OF DECEMBER OF THIS YEAR UNQUOTE.

GONZALES, WHOSE LETTER TO GIRO WAS DATED SEPTEMBER 14, ALSO SAID

THE FOLLOWING: QUOTE I REMIND YOU THAT IF YOU MUST CANCEL THE ORDER, YOU MUST DO SO BEFORE THE TWENTIETH OF THIS MONTH TO AVOID THE PAYMENT OF A PENALTY. UNQUOTE.

4. THIS INFORMATION HAS NOT BEEN OFFICIALLY PROVIDED TO GENERAL BRETEL EITHER BY IH OR BY AVCON. HE FIRST LEARNED OF THE PRODUCT-ION DELAYS AND THE PENALTY FOR CANCELLATION OF THE ORDER ON SEP-TEMBER 26, WHEN HE RECEIVED A COPY OF THE GONZALES/GIRO LETTER FROM GIRO'S LOCAL REPRESENTATIVE.

5. THE FMS CREDIT BEING USED BY THE ENGINEERING COMMAND FOR THIS AND OTHER PURCHASES, TOTALLING APPROXIMATELY \$4 MILLION, EXPIRES DECEMBER 31, 1977. IT IS THEREFORE IMPERATIVE THAT DELIVERY BE EFFECTED BEFORE THE END OF DECEMBER.

6. ACTION REQUESTED: (A) PLEASE CONTACT THE INTERNATIONAL SALES DIVISION OF INTERNATIONAL HARVESTER TO URGE THAT DELIVERY OF THE VEHICLES ORDERED BY THE ENGINEERING COMMAND BE MADE BY DECEMBER 30. (CIF ANTOFAGASTA); (B) PLEASE ADVISE INTERNATIONAL HAR-VESTER THAT GENERAL BRETEL WAS NEVER OFFICIALLY INFORMED EITHER OF THE PRODUCTION DELAYS OR THAT HIS RIGHT TO CANCEL THE ORDER WITHOUT PENALTY ALLEGEDLY EXPIRED SEPTEMBER 20, (FYI: A PAYMENT OF \$371,592.16 IN CASH-ONE HALF THE TOTAL OF THE CONTRACT-HAS BEEN MADE, AND NO PENALTY CLAUSE AGAINST LATE DELIVERY WAS INSERTED IN THE CONTRACT. CATERPILLAR AND JOHN DEERE HAVE AL-READY SHIPPED APPROXIMATELY \$3 MILLION WORTH OF EQUIPMENT ORDERED UNCLASSIFIED

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UNDER SIMILAR CONTRACTS SIGNED IN JULY. END FYI) (C) PLEASE ADVISE WHETHER ANY FUTURE PURCHASE CAN BE MADE DIRECTLY FROM THE IH FACTORY RATHER THAN THROUGH AN INTERMEDIARY. IH WAS ALONE AMONG THE MAJOR EQUIPMENT SUPPLIERS IN INSISTING THAT THAT THE ENGINEERING COMMAND DEAL THROUGH AN INTERMEDIARY. UN-FORTUNATELY, BOTH IN THIS INSTANCE AND IN THE CASE OF AN EARLIER PURCHASE, THE ENGINEERING COMMAND HAS FOUND THE PERFORMANCE OF THE COMPANIES REPRESENTING IH UNSATISFACTORY. IN OUR JUDGEMENT FUTURE IH BUSINESS IN BOLIVIA IS BEING JEAPOR-DIZED BY THE CONDUCT OF ITS US REPRESENTATIVES, AND IT WOULD BE TO THE ADVANTAGE OF IH TO TAKE A DIRECT INTEREST IN THIS TRANSACTION.
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